



August 6, 2020

Chair Nathanson and members of the committee
Oregon House Revenue Committee

OWRC has long advocated for programs and services that service women and families. We have also advocated for tax policies that treat Oregonians fairly and do not advantage one group over another. Yet as the Oregon legislature looks at cuts to our budgets due to the COVID-19 effect on Oregon Revenue, wealthy Oregonians will pay less in taxes because of the tax provisions in the Federal CARES Act.

We believe that programs that serve Oregonians that would ultimately decrease the income disparities for BICOP and low-income Oregonians should be advanced versus tax benefits and credits for corporations and wealthy Oregonians. Programs that stabilize local communities also help all Oregonians.

Instead of first looking at cuts to programs OWRC proposes that the legislature look at the tax benefit provisions for the wealthy in the CARES Act and disconnect. We will call out two of those provisions but suggest that you as legislators could look at the complete May 2020 Legislative Revenue Office paper to decide.

The CARES Act allows wealthier Oregonians who use business loss tax deductions to reduce tax liability by removing the limit on these deductions. These tax deductions apply to prior years (2018, 2019) as well. By disconnection from this provision Oregon would retain a limit on business loss tax deductions. The disconnection would save approximately **\$89** million in lost revenue. As has been pointed out by federal Joint Committee on Taxation, 95% of the benefit would go taxpayers with incomes greater than \$200,000.

The CARES Act allows wealthier Oregonians to use Net Operating Losses from prior years. NOL's from 2018, 2019, and 2020 under the new

provisions can carry back 5 years (2013-) and from tax years 2017 thru 2020 can offset up to 100% of taxable income. If Oregon does not disconnect the lost revenue will be an additional **\$91** million.

Because of the CARES Act provisions, the Department of Revenue will be in the strange position of adjusting prior years taxes for wealthy individuals and corporations. At the same time, maximum cash benefits for a TANF family of three has been virtually frozen for many years at \$506. That amount is 30 percent of the Federal Poverty Level for a family of three.

It is up to you. Do you want to give tax breaks to wealthy Oregonians in 2020 taxes and continue the cuts to services that struggling Oregonians need? Or will you disconnect from portions of the tax provisions of the CARES Act imposed by Federal lawmakers on our revenue? It is your moral choice!

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